

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2001-08  
Bill No.: Perfected SS for SCS for SB's 510, 512 and 133  
Subject: Education, Elementary and Secondary: Charter Schools  
Type: Original  
Date: April 25, 2001

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$1,172,413)	(\$1,205,381)	(\$1,223,260)
Charter School Sponsor Oversight and Accountability	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$1,172,413)</b>	<b>(\$1,205,381)</b>	<b>(\$1,223,260)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$746,548</b>	<b>\$746,548</b>	<b>\$746,548</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

---

## **FISCAL ANALYSIS**

---

### **ASSUMPTION**

Officials from the **Office of Administration** indicated this proposal would have no fiscal impact on their agency.

Officials from **The Coordinating Board of Higher Education (CBHE)** stated that since the administration of the Charter School Sponsor Oversight and Accountability Fund has been switched to the Department of Elementary and Secondary Education, there are no provisions of the bill that create a fiscal impact on the CBHE.

Officials from the **University of Missouri (UM)**, in a previous response, assume the University would incur no additional costs as a result of this proposal.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the portions of this proposal concerning the University of Missouri at Rolla sponsoring charter schools could result in reallocation of local school funding from the State School Moneys Fund but that the net effect of this part of the proposal would be zero.

Officials from the **Public School Retirement System (PSR) and Non-Teacher School Employee Retirement System** and officials from the **Joint Committee on Public Employee Retirement (JCP)** reviewed that proposal and indicated that this legislation is not a "substantial proposed change" in future plan benefits and defined in Section 105.660(5). JCP further stated that no actuarial cost statement is required for this legislation.

Officials of the **Public School Retirement System of the City of St. Louis** indicated that the proposal could result in "modest" cost savings to the System because costs related to re-employment of retired members would be borne by the re-employing school district.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 30 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,845 for FY 2002. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations

ASSUMPTION (Continued)

related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to the section stating that a mayor may request an advisory opinion from **Department of Secondary and Elementary Education (DESE)** regarding charter applications, officials from DESE stated that if the mayor requested an advisory opinion from the Department, this would require DESE to conduct its review of applications for statutory compliance before the mayor approved the charter. Traditionally, this piece has not been completed until the sponsor has reviewed the application for compliance and has approved or denied the application. This procedure could be incorrectly interpreted as department approval or endorsement of the application.

DESE further indicated that if the mayor sponsors a school and then requests the Department to oversee the performance of the school, the cost is indeterminable.

Regarding the Charter School Sponsor Oversight and Accountability Fund, officials of the **Office of the State Treasurer (STO)** assume that the Department of Elementary and Secondary Education will be calculating the amount of the transfer from General Revenue to the new fund and providing it to both the Treasurer and the Commissioner of Administration for transfer on the books of the state. The STO is unable to provide any calculation of the cost to General Revenue as the factor in the calculation are unknown to STO. The fund created does not specifically retain any interest earnings. These will be credited to General Revenue. This fund will be subject to the biennial transfer in 33.080 RSMo.

According to the **Department of Elementary and Secondary Education (DESE)**, based on \$5,478 per pupil which was calculated in January 2001 and has remained unchanged through March 2001, the impact on the fund would be \$746,548.

Officials of the **Department of Elementary and Secondary Education** would request a Supervisor to handle charters if the State Board of Education were to suspend sponsors and to track deadlines for applications which are outlined in the proposal. They would also request an additional Supervisor and Administrative Assistant to administer the fund.

**Oversight** assumes that one Supervisor would be sufficient to administer the fund as well as monitor charters and charter applications.

Officials of the **Department of Elementary and Secondary Education** calculated the losses to the Kansas City and St. Louis school districts due to changes in section 160.415.

The per-pupil amount paid by the Kansas City district to charter schools was reduced by \$996

ASSUMPTION (continued)

per pupil during FY 2001, for leasehold revenue bonds. The number of charter school students in the district was 5,381 and 1,554 pupils attending the Westport Charter School were schooled in a district-owned building.  $\$996 \times 3,727$  pupils not in district-owned buildings = \$3,811,692 loss to the school district and gain to charter school sponsors.

The per-pupil amount paid by the St. Louis district to charter schools was reduced by \$134 per pupil during FY 2001, for leasehold revenue bonds. The number of charter school students in the district was 5,882.  $\$134 \times 5,882$  pupils not in district-owned buildings = \$788,188 loss to the school district and gain to charter school sponsors.

Regarding the licensure provisions of preschool and school-age child care programs operating on elementary and secondary public school property, the **Department of Elementary and Secondary Education (DESE)** stated that current regulations allow such programs to operate under license-exempt status. DESE encourages such programs to operate in accordance with the licensing requirements; however, DESE does not monitor, nor can it be readily determined, the extent to which such programs are chapter 210 deficient.

Currently, 292 districts have applied for school-age child care program grants and 34 districts have applied for preschool child care program grants. Each of these districts may have one or more programs. For instance, Lee's Summit has fifteen programs. It should also be noted, the department is not aware of the number of privately funded programs; nor is it aware of the number of programs not applying for child care program grants. Therefore, the department cannot provide objective information regarding the number of existing programs.

The cost to DESE to ensure compliance with Chapter 210 is unknown; however, costs will likely exceed \$100,000.

According to the **Department of Health**, more child care facilities would fall under the child care program of the DOH. The number of facilities that would be required to be inspected, licensed and monitored for compliance with child care licensing rules would be increased.

The Department of Elementary and Secondary Education has determined that there are a total of 594 child care facilities that provide care for preschool-age children during the day. These child care facilities are operated on elementary or secondary public school property. They do not include child care programs providing before and after school-age child care. 129 of these facilities have been licensed by the DOH as a result of the provisions of HB 1519 that was passed in 1998. The remaining 465 facilities ( $594 - 129 = 465$ ) are exempt from licensure as defined by section 210.201(2) RSMo. There may be a small number of these facilities that have voluntarily applied for licensure, however, the DOH does not believe that it is a significant number. Therefore, if this legislation were to pass an additional 465 child care facilities would

ASSUMPTION (continued)

have to be inspected, licensed, and monitored for compliance with Missouri statutes and the DOH licensing rules.

There are 68 Child Care Facility Specialists who inspect, license, and monitor 4,680 child care facilities. The average caseload size of a Child Care Facility Specialist is sixty-nine (69) facilities per staff person ( $4,680/68=69$ ). The National Association for the Education of Young Children (NAEYC) states: "NAEYC believes that, on the average, regulators caseloads should be no more than 75 centers and large family child care homes or the equivalent; NAEYC recommends 50 as a more desirable number". As it would be necessary to inspect, license and monitor an additional 465 child care facilities, six (6) Child Care Facility Specialist II's (CCFS II) would be required by the DOH. In addition, two (2) Clerk Typist II's would be required as support staff for the CCFS II's.

The CCFS II's would inspect, license and monitor 465 additional child care facilities for compliance with state statutes and licensing rules. This includes the following responsibilities: receive Inquiries from potential licensees and provide pre-application consultation on program development, the licensing rules, and the licensing process; Investigate to determine compliance with state statutes and licensing rules and recommend license issuance or denial; Inspect the facility every six months to ensure ongoing compliance with statutes and rules; Offer technical assistance and consultation to correct non-compliances; and, Investigate, prepare cases and recommend negative actions against licenses. This may include denial, suspension, revocation or other legal action to ensure the health and safety of the children; and monitor legal actions taken against licenses. This may include settlement agreement letters, letters of censure, letters of warning, probation of the license or other legal actions taken, and receive & investigate complaints on regulated child care facilities.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Department of Elementary and Secondary Education (DESE)</u>			
Personal Service (1 FTE)	(\$39,680)	(\$49,044)	(\$50,515)
Fringe Benefits	(\$13,225)	(\$16,346)	(\$16,837)
Expense and Equipment	<u>(\$9,612)</u>	<u>(\$927)</u>	<u>(\$954)</u>
Total Cost - DESE	(\$62,517)	(\$66,317)	(\$68,306)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Cost</u> - Department of Health (DOH)			
Personal Service	(\$181,760)	(\$221,654)	(\$231,390)
Fringe Benefits	(\$60,581)	(\$73,877)	(\$77,122)
Equipment and Expense	<u>(\$121,007)</u>	<u>(\$96,985)</u>	<u>(\$99,894)</u>
Total Cost - DOH	(\$363,348)	(\$392,516)	(\$408,406)
<u>Cost</u> - Appropriation to Charter School Sponsor Oversight and Accountability Fund	(\$746,548)	(\$746,548)	(\$746,548)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$1,172,413)</u></b>	<b><u>(\$1,205,381)</u></b>	<b><u>(\$1,223,260)</u></b>

**CHARTER SCHOOL SPONSOR  
OVERSIGHT AND  
ACCOUNTABILITY FUND**

<u>Income</u> - Transfers from General Revenue Fund	\$746,548	\$746,548	\$746,548
<u>Costs</u> - Grants to Charter School Sponsors	(\$746,548)	(\$746,548)	(\$746,548)
<b>ESTIMATED NET EFFECT ON CHARTER SCHOOL SPONSOR OVERSIGHT AND ACCOUNTABILITY FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>CHARTER SCHOOL SPONSORS</b>			
<u>Income</u> - Increased Payments from St. Louis and Kansas City School Districts	\$4,599,880	\$4,599,880	\$4,599,880
<u>Income</u> - Grants	\$746,548	\$746,548	\$746,548
<b>ESTIMATED NET EFFECT ON CHARTER SCHOOL SPONSORS</b>	<b><u>\$5,346,428</u></b>	<b><u>\$5,346,428</u></b>	<b><u>\$5,346,428</u></b>

**SCHOOL DISTRICTS**

<u>Cost</u> - Kansas City School District payments to charter schools	(\$3,811,692)	(\$3,811,692)	(\$3,811,692)
<u>Cost</u> - St. Louis City School District payments to charter schools	(\$788,188)	(\$788,188)	(\$788,188)

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>(\$4,599,880)</u></b>	<b><u>(\$4,599,880)</u></b>	<b><u>(\$4,599,880)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This legislation would revise laws governing charter schools. Included in the proposed legislation:

CHARTER SCHOOLS - Allows the operation of charter schools in territories where they are currently authorized, even if the school districts currently comprising those territories cease to exist or cease to operate in those territories

Adds to the list of allowable sponsors, the mayor of any city which contains any portion of a school district in which charter schools may be operated.

Creates a Charter School Sponsor Oversight Fund, subject to appropriation, with grant funding administered by the Department of Elementary and Secondary Education. Funds shall be transferred annually by the State Treasurer, based upon the number of charter schools and charter school enrollment the previous year. Approved sponsors shall receive, from the Fund, twenty-three thousand four hundred dollars per school sponsored the previous year plus one-half of one percent of per pupil operating revenues for each student enrolled in such school the previous year.

Sponsors must perform criminal background checks on the members of the Board of Directors or incorporators applying to establish a charter school, prior to granting or renewing a charter. No member of a charter school board may be employed by the charter school nor have a significant interest in any entity employed by or contracting with the board.

PROPOSED CHARTER REQUIREMENTS - This legislation revises the procedure and timeline for chartering a school. A charter school proponent shall provide the local school district and the State Board of Education with copies of the charter school application within five days of submitting the application to the proposed sponsor. A charter application must be provided to a proposed sponsor at least 11 months prior to the proposed starting date for the school. The sponsor's decision of approval or denial must be made within 90 days of filing the proposed

DESCRIPTION (Continued)

charter rather than the current 60 days; if the charter is denied, written notice must be served on the State Board of Education within 5 days. The State Board has 60 days to deny or grant a proposed charter and shall provide reasons for denial in writing, if applicable.

Reporting requirements include publishing audit reports and annual financial reports, provided that the annual financial report may be published via the Internet on the Secretary of State's Website in lieu of other publishing requirements. The charter school must also provide all information necessary to confirm on-going compliance with all provisions of the charter. Failure to provide such information may be cause for revocation of the charter.

Charter school board members are subject to the same liability for acts while in office as if they were members of other public school boards in the state. A charter school board may participate in the Missouri Public Entity Risk Management Fund to the same extent as a school board.

**ADMISSIONS** - A charter school must make available the charter, the school's most recent published annual report card, and results of background checks on board members free of charge and upon request to the parent or guardian of any pupil eligible to seek enrollment at the school. Reasonable fees may be charged for copies.

**POWERS AND DUTIES OF GOVERNING BODY** - The State Board of Education shall establish a process whereby charter schools may be evaluated for compliance with applicable school-level standards of the Missouri school improvement program review.

**EMPLOYMENT PROVISIONS** - Charter schools are considered public schools and charter school employees are public school employees. A charter school may employ noncertificated administrative personnel and noncertificated principals and assistant principals. Charter school employees shall continue to be public school employees and participate in a public school retirement system if the district lapses due to unaccreditation.

**ESTABLISHMENT OF CHARTER SCHOOLS** - Any campus of a state university located in a county of the third classification may sponsor one or more charter schools.

**MODIFICATION OF KANSAS CITY PUBLIC SCHOOL RETIREMENT SYSTEM (KCPSRS)** - This portion of the bill pertains to the Kansas City Public School Retirement System (KCPSRS). The act expands the law to include charter schools in KCPSRS and makes provisions for KCPSRS to continue if the district lapses.

Redefines the definition of "employee" as it relates to the retirement system.

#### DESCRIPTION (Continued)

KCPSRS shall continue to be subject to existing KCPSRS and be governed by a Board of



Trustees established under this section, even if the district lapses. If the district lapses, a majority of trustees then in office shall constitute a quorum, and any action of the Board shall require the vote of a majority of trustees then in office. If the district lapses, KCPSRS shall not be transferred to or merged with another system without prior approval of such action by the KCPSRS Board of Trustees.

**ANNUAL SERVICE RETIREMENT ALLOWANCE** - The proposal provides that an inactive employee who returns to work shall receive a separate retirement allowance based upon each period of service ending in a break in service, unless the employee works at least four years after returning, in which case retirement allowance shall be based upon all creditable service and the final salary and benefit formula in effect at the end of the reemployment.

**HIRING OF RETIRED TEACHERS** - The proposal permits the rehiring of retired teachers for up to two years without loss of benefits in a school district with a shortage of teachers. The limit on hiring retired teachers is ten percent of teaching staff or five teachers, whichever is greater. Any district may hire Non-Teachers Retirement System retirees for up to two years without loss of benefits. The retirement system shall determine the actuarial cost of all such rehiring, and the cost shall be paid by the district.

**This section of the legislation has an emergency clause**, stating that this section shall be in full force and effect upon passage and approval.

#### **PROGRAMS PROVIDING CHILD CARE**

This portion of the proposal exempts child care programs being held on elementary and secondary public school property from complying with the safety, health and fire provisions of Chapter 210, RSMo.

#### **SOURCES OF INFORMATION**

Department of Elementary and Secondary Education  
Public School and Non-Teacher School Employee Retirement Systems of Missouri  
Joint Committee on Public Employee Retirement  
Public School Retirement System of the City of St. Louis  
Office of the State Treasurer  
Office of the Secretary of State  
Administrative Rules  
Coordinating Board of Higher Education

#### **NOT RESPONDING**

**Public School Retirement System of Kansas City**

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA  
Director  
April 25, 2001